

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF MAYVILLE	County TUSCOLA
Audit Date 3/31/05	Opinion Date 5/11/05	Date Accountant Report Submitted to State: 6/22/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:			
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) GARDNER, PROVENZANO, SCHAUMAN & THOMAS, P.C.			
Street Address 4855 STATE STREET		City SAGINAW	State MI
		ZIP 48603	
Accountant Signature 		Date HEATHER A. THOMAS, CPA	

VILLAGE OF MAYVILLE

MARCH 31, 2005

Officers

Clare Fryers	President
Judith Hartzell	Treasurer
James Welke	Clerk

Trustees

Kenneth McNinch

Roxann Hiiter

Suzette Bennett

Wanda Topham

Madia Atwell

Cheryl Piche

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Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

May 11, 2005

Members of the Village Council
Village of Mayville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mayville, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the basic financial statements of the Village's primary government, as listed in the table of contents. These financial statements are the responsibility of the Village of Mayville, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, standards prescribed by the State Treasurer, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mayville, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America and with applicable rules and regulations of the State Treasurer.

Members of the Village Council
Page Two
May 11, 2005

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2005, on our consideration of the Village of Mayville, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

As described in Note 11, the Village of Mayville adopted provisions of Governmental Accounting Standards Nos. 34, 37, 38, and GASB Interpretation 6 as of April 1, 2004. This results in a change to the Village's format and content of the basic financial statements.

The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by accounting principles generally accepted in the United States of America; the other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Mayville, Michigan's basic financial statements. The required supplemental information and other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gardner, Provenzano, Schauman & Thomas P.C.

Certified Public Accountants

VILLAGE OF MAYVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Overview of the Financial Statements

The Village of Mayville, Michigan's (the "Village") annual report consists of this analysis (management's discussion and analysis), government-wide financial statements, fund financial statements, notes to the financial statements, required supplemental information, and other supplemental information.

This fiscal year, the Village fully implemented the Governmental Accounting Standards Board's (GASB) Statement No. 34. Since this is the first year of adoption, prior year comparison is not available. This comparison will be available for the fiscal year ending March 31, 2006. As allowed by GASB 34 for Phase Three governments, the Village of Mayville did not recognize infrastructure assets retroactively. This accounting pronouncement, among other changes, adds government-wide financial statements, which were designed to provide a broad overview of the Village's finances. The government-wide statements are presented on a full accrual basis of accounting, with an emphasis on measuring all economic resources and not just current financial resources as measured in the individual fund statements. These statements make a distinction between governmental activities for example public safety and public works, and business-type activities such as the provision of water and sewer service.

One government-wide statement, the statement of net assets, presents information on all of the Village's assets and liabilities with the difference shown as net assets. Increases or decreases of net assets from period to period provide useful information on the direction of the Village's financial position over time.

The other government-wide statement, the statement of activities, provides information on how the government-wide net assets changed during the fiscal year. This statement provides information on income, expenses by function, and other increases or decreases in net assets.

Following the government-wide statements, individual fund financial statements are provided for the Village's major funds and compiled financial information is provided for non-major funds. These statements are grouped into governmental funds, which account for the cost of providing governmental-type services for example public safety and public works and proprietary funds which account for business-type activities such as provision of water and sewer services.

VILLAGE OF MAYVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Overview of the Financial Statements (cont.)

Reconciliations between the individual fund statements and the government-wide financial statements are provided following the individual fund statements. The differences are primarily related to inclusion of capital assets and recognition of certain receivables and long-term liabilities in the government-wide statement of net assets, which are not included in the fund balance sheets. Other differences relate to the timing of reporting capital outlays and debt principal repayment in the fund statements and the timing of the recognition of certain revenues and expenditures such as lease proceeds and accrued interest in the individual fund statements versus the government-wide statements.

Financial Position and Results of Operation for the Village as a Whole

The Village of Mayville's Governmental activities had an increase in net assets of \$17,300 for fiscal year 2004-05. This is the consolidated result of the General Fund, Special Revenue Funds, and Debt Service Fund.

Net assets of the Business-type activities (Water and Sewer Funds) increased by \$44,710 for fiscal year 2004-05.

In a condensed format, the tables below show the net assets and changes in net assets as of March 31, 2005.

Table 1	Government Activities	Business-type Activities	Total
Assets			
Current assets	\$ 332,174	\$ 277,358	\$ 609,532
Noncurrent assets	325,187	1,588,234	1,913,421
Total Assets	<u>657,361</u>	<u>1,865,592</u>	<u>2,522,953</u>
Liabilities			
Current liabilities	43,513	70,631	114,144
Noncurrent liabilities	1,292,886	565,000	1,857,886
Total Liabilities	<u>1,336,399</u>	<u>635,631</u>	<u>1,972,030</u>
Net Assets			
Investment in capital assets-net of related debt	282,591	973,234	1,255,825
Restricted	106,053	614,045	720,098
Unrestricted	(1,067,682)	(357,318)	(1,425,000)
Total Net Assets	<u>\$ (679,038)</u>	<u>\$ 1,229,961</u>	<u>\$ 550,923</u>

The above table presents the net assets as of March 31, 2005. The change in net assets for the 2004-2005 year is presented and discussed in Table 2.

VILLAGE OF MAYVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**Financial Position and Results of Operation for the Village as a Whole
(cont.)**

Table 2	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenue			
Charges for services	\$ 208,777	\$ 237,010	\$ 445,787
Operating grants and contributions	4,167	-	4,167
General revenue			
Property taxes	200,702	-	200,702
State shared revenue	209,386	-	209,386
County shared revenue	19,776	-	19,776
Unrestricted investment earnings	2,229	10,160	12,389
Gain on sale of capital assets	2,150	-	2,150
Other revenues	7,377	-	7,377
Total Revenues	<u>654,564</u>	<u>247,170</u>	<u>901,734</u>
Program Expenses			
General government	205,938	-	205,938
Public safety	215,026	-	215,026
Highways and Streets	107,103	-	107,103
Sanitation	43,404	-	43,404
Economic development-DDA	1,657	-	1,657
Interest on long term debt	64,136	-	64,136
Water and sewer	-	202,460	202,460
Total Program Expenses	<u>637,264</u>	<u>202,460</u>	<u>839,724</u>
Change in Net Assets	17,300	44,710	62,010
Net Assets-Beginning	(696,338)	1,185,251	488,913
Net Assets-Ending	<u>\$ (679,038)</u>	<u>\$ 1,229,961</u>	<u>\$ 550,923</u>

Governmental Activities

The Governmental activities of the Village increase total Net Assets by \$17,300. This increase was attributed to the Village reducing the overall expenditure level below the anticipated reduction of State shared revenues.

Business-type Activities

The Village operates a water department and a sewer treatment facility. These departments operate from fees charged to the Village residents. Rates for these services are set to provide operations, maintenance, and payment of bond requirements. The Water Fund was able to achieve a positive change in net assets this fiscal year from an increase in tap in fees effective in the prior year and a trimming of the expense budget. In addition, in previous years there were significant expenditures for well improvement that did not occur in this fiscal year. The Sewer Fund had an increase in net assets mainly due to less expenditures this year.

VILLAGE OF MAYVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**Financial Position and Results of Operation for the Village as a Whole
(cont.)**

Analysis of Individual Funds

A decrease of \$2,206 in the fund balance in the General Fund is due to an increase in the general operating expenses; namely, the Fire Department expenses have increased and there were additional building and equipment maintenance expenses.

The Major Street Fund and Local Street Fund both had increases of \$8,023 and \$3,366, respectively, in fund balance. The Village was able to keep the expenses at a minimum and did not make any capital expenditures during the year in anticipation of future street projects.

The DDA had an increase of \$21,972 in the fund balance. The DDA has plans for significant projects in the future which will spend down the fund balance.

The Debt Service had an increase of \$8,107 as expected. The money in this fund will be used to pay off the principal and interest on bonds in future years.

General Operating Fund Budget Highlights

The original General Fund budget was prepared based on actual results from the previous fiscal year. There were two significant variances between the original and final amended budget. The variance of \$47,000 in general government original budget was to cover expenditures for the Village Manager. To cover the expenditures, the original budget contained a \$40,000 transfer, recorded as other financing sources, to the General Fund from the DDA, Water, and Sewer Funds to subsidize the Village Manager's salary. Those items were amended at the end of the year because the Village Manager did not start until April 1, 2005, which is after the fiscal year ended. In addition, the original budget anticipated a reduction in part-time police expenses. The amended budget added some additional part-time police hours. Capital outlay was also increased to include the purchase of some new fire equipment and a police car.

The difference between the amended budget and actual results was the omission of the proceeds of the capital lease of the police car. After the amended budget was completed, it was discovered that the total proceeds of the police car lease needed to be in the budget.

VILLAGE OF MAYVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Asset and Long-term Debt Activity

Major capital asset additions in governmental funds consisted of the purchase of a new police car and new computer for the police department.

The Village entered into a capital lease agreement for the purchase of the new police car. The Village did service all current outstanding debt on a timely basis.

Economic Factors and Next Year's Budgets and Rates

The Village of Mayville hired a Village Manager as of April 1, 2005, and has included that additional expense in the 2005-06 fiscal year. The Village Council is currently having a feasibility and water rate study completed to determine what additional funds will be needed in the Water Fund for arsenic treatment as required under new DEQ guidelines.

Contacting the Village's Financial Management

This financial report is designed to provide accountability of our stewardship of the resources provided by our citizens, taxpayers, and customers and to provide financial information to the Village's investors and creditors. If you have any questions about this report or need additional financial information, contact the Village Clerk, P.O. Box 249, 297 E. Ohmer Road, Mayville, Michigan 48744-0249.

VILLAGE OF MAYVILLE
STATEMENT OF NET ASSETS
MARCH 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and investments	\$ 219,985	\$ 155,719	\$ 375,704
Accounts receivable	3,248	81,022	84,270
Special assessments receivable	18,610	-	18,610
Due from other funds	28,499	34,938	63,437
Due from other governmental units	37,499	-	37,499
Prepaid expenses	24,333	5,679	30,012
Total Current Assets	<u>332,174</u>	<u>277,358</u>	<u>609,532</u>
Noncurrent Assets			
Restricted assets-investment	-	50,000	50,000
Net capital assets	325,187	1,538,234	1,863,421
Total Noncurrent Assets	<u>325,187</u>	<u>1,588,234</u>	<u>1,913,421</u>
Total Assets	<u>657,361</u>	<u>1,865,592</u>	<u>2,522,953</u>
LIABILITIES			
Current Liabilities			
Accounts payable	9,141	7,194	16,335
Accrued expenses	552	-	552
Due to other funds	-	63,437	63,437
Deferred revenue	33,820	-	33,820
Total Current Liabilities	<u>43,513</u>	<u>70,631</u>	<u>114,144</u>
Noncurrent liabilities			
Due within one year	29,471	25,000	54,471
Due in more than one year	1,263,415	540,000	1,803,415
Total Noncurrent Liabilities	<u>1,292,886</u>	<u>565,000</u>	<u>1,857,886</u>
Total Liabilities	<u>1,336,399</u>	<u>635,631</u>	<u>1,972,030</u>
NET ASSETS			
Invested in capital assets, net of related debt	282,591	973,234	1,255,825
Restricted	106,053	614,045	720,098
Unrestricted	(1,067,682)	(357,318)	(1,425,000)
Total Net Assets	<u>\$ (679,038)</u>	<u>\$ 1,229,961</u>	<u>\$ 550,923</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MAYVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

Functions/Programs	Program Revenues			Net(Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Governmental activities:						
General Government	\$ 205,938	\$ 325	\$ -	\$ -	\$ (205,613)	\$ -
Public Safety	215,026	55,738	3,980	-	(155,308)	-
Highways & Streets	107,103	54,573	-	-	(52,530)	-
Sanitation	43,404	43,433	-	-	29	29
Economic Development - DDA	1,657	-	187	-	(1,470)	-
Interest on Long Term Debt	64,136	54,708	-	-	(9,428)	-
Total governmental activities	637,264	208,777	4,167	-	(424,320)	-
Business-type Activities:						
Sewer Fund	84,173	76,602	-	-	-	(7,571)
Water Fund	118,287	160,408	-	-	-	42,121
Total business-type activities	202,460	237,010	-	-	-	34,550
Total primary government	839,724	445,787	4,167	-	(424,320)	34,550
General Revenues:						
Property Taxes					200,702	-
State Shared Revenue					209,386	-
County Shared Revenue					19,776	-
Unrestricted investment					2,229	10,160
Gain on Sale of Capital Assets					2,150	-
Other Revenues					7,377	-
Total general revenues					441,620	10,160
Change in net assets					17,300	44,710
Net assets - beginning					(696,338)	1,185,251
Net assets - ending					\$ (679,038)	\$ 1,229,961
						\$ 550,923

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MAYVILLE
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2005

	General	Major Street	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and investments	\$ 39,286	\$ 16,931	\$ 92,376	\$ 71,392	\$ 219,985
Receivables:					
Accounts	3,248	-	-	-	3,248
Notes	-	-	-	18,610	18,610
Due from other funds	22,831	-	13,677	-	36,508
Due from other governmental units	22,696	10,387	-	4,416	37,499
Prepaid expenses	22,368	1,136	-	829	24,333
Total	<u>\$ 110,429</u>	<u>\$ 28,454</u>	<u>\$ 106,053</u>	<u>\$ 95,247</u>	<u>\$ 340,183</u>
<u>Liabilities</u>					
Liabilities					
Accounts payable	\$ 7,807	\$ 667	\$ -	\$ 667	\$ 9,141
Accrued expenses	552	-	-	-	552
Due to other funds	-	5,246	-	2,763	8,009
Deferred revenue	12,425	14,275	-	7,120	33,820
Total Liabilities	<u>20,784</u>	<u>20,188</u>	<u>-</u>	<u>10,550</u>	<u>51,522</u>
Fund Equity					
Fund Balance					
Reserved for debt retirement	-	-	106,053	-	106,053
Unreserved	89,645	8,266	-	84,697	182,608
Total Fund Equity	<u>89,645</u>	<u>8,266</u>	<u>106,053</u>	<u>84,697</u>	<u>288,661</u>
Total Liabilities and Fund Equity	<u>\$ 110,429</u>	<u>\$ 28,454</u>	<u>\$ 106,053</u>	<u>\$ 95,247</u>	<u>\$ 340,183</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MAYVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
MARCH 31, 2005

Fund balances of governmental funds \$ 288,661

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.

Cost of the capital assets	908,233
Accumulated depreciation	(583,046)

Long-term liabilities, including bonds payable, are not due and payable in the current period; and therefore, are not reported in the funds.

Contract payable	(1,243,000)
Capital lease payable	(42,596)
Compensated absences	(7,290)
Net assets of governmental activities	<u>\$ (679,038)</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MAYVILLE
GOVERNMENTAL FUNDS STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2005

	General	Major Street	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 147,122	\$ 15,555	\$ -	\$ 38,025	\$ 200,702
Licenses	325	-	-	-	325
Grants	3,980	-	-	-	3,980
State	152,519	71,285	-	31,233	255,037
Charges for service	124,070	-	54,708	-	178,778
Fines and forfeits	3,799	-	-	-	3,799
Interest	418	-	839	972	2,229
Other revenues	7,334	36	-	194	7,564
Total Revenue	439,567	86,876	55,547	70,424	652,414
Expenditures					
General government	180,750	-	-	-	180,750
Public safety	186,690	-	-	-	186,690
Highways and streets	15,931	54,772	-	36,400	107,103
Sanitation	43,404	-	-	-	43,404
Capital Outlay	27,658	-	-	-	27,658
Other expenses	-	-	-	1,657	1,657
Debt service					
Principal retirement	14,146	-	16,000	-	30,146
Interest and fiscal agent charges	1,586	-	62,550	-	64,136
Total Expenditures	470,165	54,772	78,550	38,057	641,544
Excess (Deficiency) of Revenues over Expenditures	(30,598)	32,104	(23,003)	32,367	10,870
Other Financing Sources (Uses)					
Gain on sale of assets	2,150	-	-	-	2,150
Proceeds from equipment lease	26,242	-	-	-	26,242
Operating transfers in	-	-	31,110	8,526	39,636
Operating transfers (out)	-	(24,081)	-	(15,555)	(39,636)
Total Other Financing Sources (Uses)	28,392	(24,081)	31,110	(7,029)	28,392
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(2,206)	8,023	8,107	25,338	39,262
Fund Balances, Beginning	91,851	243	97,946	59,359	249,399
Fund Balances, Ending	\$ 89,645	\$ 8,266	\$ 106,053	\$ 84,697	\$ 288,661

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MAYVILLE
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
 OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED MARCH 31, 2005

Net change in fund balances --total governmental funds \$ 39,262

Amounts reported for governmental activities in the statement of activities
 are different because:

Capital assets used in governmental activities are not financial
 resources; and therefore, are not reported in the funds. (54,754)
 Depreciation expense 27,658
 Capital Outlay

The proceeds of a capital lease provides current financial resources to
 governmental funds, while the repayment of the principal of long-term
 debt consumes the current financial resources of governmental funds.

Neither transaction has any effect on net assets.

 Proceeds from capital lease (26,242)
 Repayment of contract principal 16,000
 Repayment of capital lease principal 14,146

In the statement of activities, certain expenses (compensated absences) are
 measured by the amounts earned during the year. The governmental funds
 measure the financial resources used (paid). This year, the amount of these
 items paid exceeded the amounts earned.

 Compensated absences 1,230
 Change in net assets of governmental activities \$ 17,300

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MAYVILLE
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF NET ASSETS
 MARCH 31, 2005

	Sewer	Water	Enterprise Totals
<u>Assets</u>			
Cash and investments	\$ 107,061	\$ 48,658	\$ 155,719
Accounts receivable	81,022	-	81,022
Due from other funds	-	34,938	34,938
Prepaid expense	3,117	2,562	5,679
Restricted assets			
Investment	-	50,000	50,000
Fixed assets,			
net of accumulated depreciation	593,444	944,790	1,538,234
Total Assets	<u>\$ 784,644</u>	<u>\$ 1,080,948</u>	<u>\$ 1,865,592</u>
<u>Liabilities and Net Assets</u>			
Current liabilities			
Accounts payable	\$ 2,305	\$ 4,889	\$ 7,194
Due to other funds	61,125	2,312	63,437
Current portion of noncurrent liabilities	-	25,000	25,000
Total Current Liabilities	<u>63,430</u>	<u>32,201</u>	<u>95,631</u>
Noncurrent Liabilities			
Revenue bonds payable			
(net of current portion)	-	540,000	540,000
Total Liabilities	<u>63,430</u>	<u>572,201</u>	<u>635,631</u>
Net Assets			
Investment in capital assets-			
net of related debt	593,444	379,790	973,234
Restricted	359,332	254,713	614,045
Unrestricted	(231,562)	(125,756)	(357,318)
Total Net Assets	<u>721,214</u>	<u>508,747</u>	<u>1,229,961</u>
Total Liabilities			
and Net Assets	<u>\$ 784,644</u>	<u>\$ 1,080,948</u>	<u>\$ 1,865,592</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MAYVILLE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS
 FOR THE YEAR ENDED MARCH 31, 2005

	Sewer	Water	Enterprise Totals
Operating Revenues			
Charges for services	\$ 76,602	\$ 160,408	\$ 237,010
Total Operating Revenues	<u>76,602</u>	<u>160,408</u>	<u>237,010</u>
Operating Expenses			
Personal services	16,671	19,435	36,106
Contractual services	12,071	10,614	22,685
Supplies	16,179	9,361	25,540
Utilities	1,747	8,689	10,436
Depreciation	30,545	33,491	64,036
Insurance	3,493	3,009	6,502
Licenses	800	-	800
Miscellaneous	2,667	4,813	7,480
Total Operating Expenses	<u>84,173</u>	<u>89,412</u>	<u>173,585</u>
Operating Income (Loss)	<u>(7,571)</u>	<u>70,996</u>	<u>63,425</u>
Non-operating Revenues (Expenses)			
Interest revenue	9,050	1,110	10,160
Interest and fiscal charges	<u>-</u>	<u>(28,875)</u>	<u>(28,875)</u>
Total Non-operating Revenues (Expenses)	<u>9,050</u>	<u>(27,765)</u>	<u>(18,715)</u>
Change in Net Assets	1,479	43,231	44,710
Net Assets, Beginning	719,735	465,516	1,185,251
Net Assets, Ending	<u>\$ 721,214</u>	<u>\$ 508,747</u>	<u>\$ 1,229,961</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MAYVILLE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MARCH 31, 2005

	Sewer Fund	Water Fund	Enterprise Totals
Cash Flows From Operating Activities			
Receipts from customers	\$ 75,765	\$ 160,407	\$ 236,172
Payments to suppliers	(35,873)	(33,552)	(69,425)
Payments to employees	(16,671)	(19,435)	(36,106)
Internal activity - Net payments to other funds	4,683	(6,364)	(1,681)
Other receipts (payments)	9,050	(27,765)	(18,715)
Net cash provided by (used in) operating activities	36,954	73,291	110,245
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	-	(3,000)	(3,000)
Net cash used in capital and related financing activities	-	(3,000)	(3,000)
Cash Flows from Investing Activities			
Principal paid on capital debt	-	(25,000)	(25,000)
Net cash provided by (used in) investing activities	-	(25,000)	(25,000)
Net Increase (Decrease) in Cash and cash equivalents	36,954	45,291	82,245
Cash and cash equivalents - Beginning of year	70,107	3,367	73,474
Cash and cash equivalents - End of year	\$ 107,061	\$ 48,658	\$ 155,719
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Increase (decrease) in Net Assets	\$ 1,479	\$ 43,231	\$ 44,710
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation	30,545	33,491	64,036
Changes in assets and liabilities			
Receivables	(837)	-	(837)
Due from other funds	-	(5,530)	(5,530)
Prepaid expense	(226)	(186)	(412)
Accounts payable	1,310	3,120	4,430
Due to other funds	4,683	(835)	3,848
Net Cash provided by (used in) operating activities	\$ 36,954	\$ 73,291	\$ 110,245

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The Village of Mayville, located in Tuscola County, Michigan, was incorporated as a general law village under the provisions of Act 3 of 1895, as amended. The Village operates under elected Village Council to provide municipal services to approximately 1,055 residents.

The criteria established by the National Council on Governmental Accounting (NCGA) for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Village. Educational services are provided through a local school district, which is a separate governmental entity, and therefore, it is not represented in the financial statements included herein. In addition, this report does not include the financial statements of the Mayville Public Library or Mayville Area Ambulance Service, which operates autonomously under intergovernmental service agreements.

The financial statements of the Village of Mayville are prepared with Generally Accepted Accounting Principles (GAAP). The Village reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that cannot be attributed directly to any one function are included among program revenues and are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds.

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

Property taxes and State-shared revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

All other revenue items are considered to be measurable and available only when cash is received by the Village.

A fund is defined as a fiscal and accounting entity with self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Village uses the following fund types:

Governmental Funds

General Fund--The General Fund is the general operating fund of the Village. It is used to account for all financial resources, except those required to use another fund.

Special Revenue Funds--Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds--Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Proprietary Funds

Enterprise Funds--Enterprise Funds report operations that provide services to citizens financed primarily by a user charge or activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's governmental and proprietary funds. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services.

Operating expenses for proprietary funds include the cost of source of supply, transmission and distribution maintenance, and administrative and general expenses, including depreciation and capital assets.

All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(continued)

Cash

Cash includes cash on hand and demand deposits. The Village considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

Investments

Investments include certificates of deposit and are stated at fair value.

Receivables

Receivables consist of all revenues earned at year-end but not yet received.

Outstanding balances between funds are reported as "due to/from other funds".

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the governmental-wide financial statements as "internal balances".

Inventories

Inventories, which are immaterial in amount, are not recognized as an asset in the Enterprise Funds. Supplies, which are also immaterial in amount, are treated as expenditures at the time of purchase in the Governmental Fund types.

Prepaid

Prepaid amounts consist of payments for which the Village will have a future benefit and will be used up at a date beyond the current year-end.

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Village owns infrastructure assets such as water and sewer systems and roads and sidewalks. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Equipment and other	3-10 years
Vehicles	6 years
Buildings	50 years
Water and sewer mains	30-50 years
Water Towers	50 years
Water Meters	10 years
Other equipment	5-12 years
Infrastructure	5-50 years

The Village elected not to retroactively report some infrastructure assets, which is allowable under the provisions of GASB 34.

Accounts Payable

Accounts payable consist of items from which the Village benefited during the current fiscal year but has not yet paid.

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Accrued Compensated Absences

Accumulated and unused sick leave at year end is recognized as a liability of the respective funds in which each employee's wages are reported. The liability is calculated based upon various labor terms. Total accrued sick leave at March 31, 2005, was \$7,290.

Deferred Revenue

Deferred revenue represents amounts for which the Village has received or is due to receive but has not yet earned. The revenues are deferred until the proceeds have been fully expensed/expended.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Inter-fund Activity

Inter-fund activity is reported as payables and transfers. Both are eliminated upon consolidation.

Property Taxes

Property taxes are levied each July 1 on property located within the Village based on state equalized valuation. Real property taxes not collected by October 1 are turned over to Tuscola County for collection. The county reimburses the Village 100% for the delinquent real taxes.

For the year ended March 31, 2005, the Village assessed mills adjusted for Headlee rollback as follows: general operation 10.7697 and streets 2.2818, as adjusted by Public Act 5 of 1982 based on taxable valuation of \$14,868,607. The Downtown Development Authority captures property taxes based on taxable value increases in the district determined from the base year.

NOTE 2--Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

The Village employs the following procedures in establishing budgetary data reflected in the financial statements:

- a. Prior to April 1 of each year, the Clerk submits a budget for the ensuing fiscal year to the Council for review and possible revision.
- b. Prior to April 1 of each year, a public hearing is conducted to obtain taxpayers' comments.
- c. Prior to April 1 of each year, the budget is approved.
- d. Budget amounts as originally adopted are amended by the Village Council as necessary throughout the year.

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Cash and Investments

The Village is authorized by the State of Michigan to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The Village is also authorized to invest in the following:

- a. direct bonds and obligations of the U.S. or agency or instrumentality
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency
- c. Commercial paper – within three highest rate classifications by at least two rating services, maturing not later than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time
- d. U.S. or agency repurchase agreements
- e. Bankers' acceptance of U.S. banks
- f. Mutual funds – investments which local unit can make directly

The FDIC insures up to \$100,000 per demand deposit and \$100,000 in time deposits. The Village of Mayville has assigned custodial responsibility to various Trustees in such a way that all deposits of the Village of Mayville are insured. Investments consist of certificates of deposit. A summary of cash and investments follow:

	Insured	Collateralized	Uninsured Uncollateralized	Total
Governmental Activities				
Cash	\$ 191,479	\$ -	\$ -	\$ 191,479
Investments	-	-	144,197	144,197
Business-type Activities				
Cash	102,508	-	-	102,508
Total Deposits & Investments	<u>\$ 293,987</u>	<u>\$ -</u>	<u>\$ 144,197</u>	<u>\$ 438,184</u>

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Interfund Receivables and Payables

The composition of inter-fund balances as of March 31, 2005, is as follows:

Due To/From Other Funds			
	Receivable		Payable
General	\$ 5,246	Major Street	\$ 5,246
General	2,763	Local Street	2,763
General	12,510	Sewer	12,510
General	2,312	Water	2,312
	<u>\$ 22,831</u>		<u>\$ 22,831</u>
Debt Service	<u>\$ 13,677</u>	Sewer	<u>\$ 13,677</u>
Water	<u>\$ 34,938</u>	Sewer	<u>\$ 34,938</u>

The composition of inter-fund transfers as of March 31, 2005 is as follows:

Transfers In/Out			
	Transfers In		Transfers Out
Local Street	\$ 8,526	Major Street	\$ 8,526
Debt Service	15,555	Major Street	15,555
Debt Service	15,555	Local Street	15,555
	<u>\$ 31,110</u>		<u>\$ 31,110</u>

The majority of interfund receivables and payables for the Village consist of amounts due from water, sewer, garbage and storm sewer fees. The majority of interfund transfers consisted of payment from Major and Local Street Funds to Debt Service Fund for payment of storm sewer contract principal and interest.

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Capital Assets

Capital asset activity for the year ended March 31, 2005, was as follows:

	Balance April 1, 2004	Additions	Disposals	Balance March 31, 2005
GOVERNMENTAL ACTIVITIES				
Capital assets not subject to depreciation				
Land	\$ 21,122	\$ -	\$ -	\$ 21,122
Subtotal	<u>21,122</u>	<u>-</u>	<u>-</u>	<u>21,122</u>
Capital assets subject to depreciation				
Equipment	205,752	1,416	6,540	200,628
Land Improvements	23,479	-	-	23,479
Vehicles	479,769	26,242	16,500	489,511
Buildings	<u>173,493</u>	<u>-</u>	<u>-</u>	<u>173,493</u>
Subtotal	<u>882,493</u>	<u>27,658</u>	<u>23,040</u>	<u>887,111</u>
Accumulated Depreciation				
Equipment	99,246	14,099	6,540	106,805
Land Improvements	6,959	1,174	-	8,133
Vehicles	370,271	36,151	16,500	389,922
Buildings	<u>74,856</u>	<u>3,330</u>	<u>-</u>	<u>78,186</u>
Subtotal	<u>551,332</u>	<u>54,754</u>	<u>23,040</u>	<u>583,046</u>
Net capital assets being depreciated	<u>331,161</u>	<u>(27,096)</u>	<u>-</u>	<u>304,065</u>
Net governmental capital assets	<u>\$ 352,283</u>	<u>\$ (27,096)</u>	<u>\$ -</u>	<u>\$ 325,187</u>

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Capital Assets (continued)

	Balance April 1, 2004	Additions	Disposals	Balance March 31, 2005
BUSINESS-TYPE ACTIVITIES				
Capital assets not subject to depreciation				
Land	\$ 30,500	\$ -	\$ -	\$ 30,500
Subtotal	<u>30,500</u>	<u>-</u>	<u>-</u>	<u>30,500</u>
Capital assets subject to depreciation				
Buildings	9,874	-	-	9,874
Water towers	256,409	-	-	256,409
Distribution systems	1,182,782	3,000	-	1,185,782
Collection systems	1,339,762	-	-	1,339,762
Machinery & equipment	18,413	-	-	18,413
Meters & boxes	52,944	-	-	52,944
Subtotal	<u>2,860,184</u>	<u>3,000</u>	<u>-</u>	<u>2,863,184</u>
Accumulated Depreciation				
Buildings	2,765	198	-	2,963
Water towers	95,972	5,128	-	101,100
Distribution systems	392,571	24,578	-	417,149
Collection systems	765,004	26,974	-	791,978
Machinery & equipment	6,775	1,864	-	8,639
Meters & boxes	28,327	5,294	-	33,621
Subtotal	<u>1,291,414</u>	<u>64,036</u>	<u>-</u>	<u>1,355,450</u>
Net capital assets being depreciated	<u>1,568,770</u>	<u>(61,036)</u>	<u>-</u>	<u>1,507,734</u>
Net Business-type capital assets	<u>\$ 1,599,270</u>	<u>\$ (61,036)</u>	<u>\$ -</u>	<u>\$ 1,538,234</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 26,418
Public safety	28,336
Total governmental activities	<u>54,754</u>
Business-type activities:	
Sewer	\$ 30,545
Water	33,491
Total business-type activities	<u>64,036</u>

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 6--Long-Term Debt

Long-term debt obligations for the year ended March 31, 2005, were as follows:

	Balance April 1, 2004	Additions	Retirements	Balance March 31, 2005	Current Portion
Governmental Activities					
Accrued compensated absences	\$ 8,520	\$ -	\$ 1,230	\$ 7,290	\$ -
Contract payable	1,259,000	-	16,000	1,243,000	16,000
Capital lease	30,500	26,242	14,146	42,596	13,471
Total Governmental activities	<u>\$ 1,298,020</u>	<u>\$ 26,242</u>	<u>\$ 31,376</u>	<u>\$ 1,292,886</u>	<u>\$ 29,471</u>
Business-type Activities					
General Obligation Bonds					
1981 Water Supply					
System Revenue Bonds					
Maturing through 10/1/20	\$ 590,000	\$ -	\$ 25,000	\$ 565,000	\$ 25,000
Total Business-type activities	<u>\$ 590,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 565,000</u>	<u>\$ 25,000</u>

The gross amount of assets reported on the balance sheet under capital leases were \$30,500 and \$56,742, for years ended March 31, 2004, and 2005, respectively. Annual debt service requirements to maturity for the above governmental and business-type bonds and contracts are as follows:

	Governmental Activities		
	Principal	Interest	Total
2005-06	\$ 29,471	\$ 65,557	95,028
2006-07	32,186	63,950	96,136
2007-08	32,939	62,294	95,233
2008-09	19,000	60,552	79,552
2009-10	20,000	59,553	79,553
2010-11 thru 2014-15	116,000	280,954	396,954
2015-16 thru 2019-20	149,000	247,153	396,153
2020-21 thru 2024-25	190,000	203,976	393,976
2025-26 thru 2029-30	242,000	148,778	390,778
2030-31 thru 2034-35	310,000	78,413	388,413
2035-36 thru 2039-40	145,000	7,508	152,508
	<u>\$ 1,285,596</u>	<u>\$ 1,278,688</u>	<u>\$ 2,564,284</u>

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 6--Long-Term Debt (continued)

	Business-type Activities		
	Principal	Interest	Total
2005-06	\$ 25,000	\$ 27,625	\$ 52,625
2006-07	25,000	26,375	51,375
2007-08	30,000	25,000	55,000
2008-09	30,000	23,500	53,500
2009-10	30,000	22,000	52,000
2010-11 thru 2014-15	165,000	86,375	251,375
2015-16 thru 2019-20	210,000	39,500	249,500
2020-21 thru 2024-25	50,000	1,250	51,250
Totals	<u>\$ 565,000</u>	<u>\$ 251,625</u>	<u>\$ 816,625</u>

For the year ended March 31, 2005, the total interest paid on bond debt was \$28,875.

NOTE 7--Restricted Cash

The amount of \$50,000 in the Enterprise Fund is restricted by a bond agreement.

NOTE 8--Risk Management

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village Council participates in the Michigan Municipal League Workers Compensation Fund Self Insurance Pool (SIP), a public entity risk pool currently operating as a common risk management program for public entities in the State of Michigan. The MML Workers' Compensation fund serves more than 800 cities, villages, townships, and other governmental agencies. The Village pays an annual premium to SIP for its worker's compensation coverage. The SIP is self-sustaining through member premiums.

In the event of unusually high claims, the SIP has the authority to bill the Village retroactively. The Village continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 9--Storm Sewer Construction and Financing Contract

The Village of Mayville has entered into a contract with the County of Tuscola dated December 1, 1996, and amended January 1, 1999. The contract provides for the construction and financing of improvements to existing storm sewer systems of the Village of Mayville. It is the intent of the parties that the County of Tuscola issue bonds to pay the cost of construction of \$1,350,000. The bonds, known as Tuscola County Limited Tax General Obligation Bonds (Village of Mayville Storm Water System), were issued April 18, 1999, and bear interest at the rate of 5.125%. Semi-annual payments sufficient to pay interest and principal will be made to the County of Tuscola from the Village of Mayville for a period of forty years or until such times as all bonds issued by the County to finance this project are paid in full.

NOTE 10--Defined Contribution Money Purchase Plan

The Village provides pension benefits for all eligible employees through the Village of Mayville's Money Purchase Plan. The Village contributes 8.25% of annual compensation. Contributions for any year may not exceed the lesser of 25% of each participant's compensation or \$41,000.

During the year ended March 31, 2005, contributions of \$11,863 were made on behalf of the covered employees. Employees contributed \$4,254 to the plan. Current year total payroll and covered payroll were \$223,202 and \$164,350, respectively.

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 11-GASB Pronouncements Adoption

As of and for the year ended March 31, 2005, the Village implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- *No.34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- *No.37 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- *No.38 – Certain Financial Statement Note Disclosures*

Interpretations

- *No.6 – Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005.

The more significant of the changes required by the new standards include:

Basic financial statements that include:

- Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
- Schedules to reconcile the fund financial statements to the government-wide financial statements;
- Budgetary schedules;
- Notes to the basic financial statements

VILLAGE OF MAYVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 11-GASB Pronouncements Adoption (continued)

As a result of implementing the GASB 34 statement, the following restatements were made to the beginning balance of net assets:

<u>As of April 1, 2004</u>	
Fund Balance-Governmental Activities	\$ 249,399
Capital Assets	903,615
Accumulated Depreciation	(551,332)
Long-term Debt	(1,298,020)
Net Assets-Governmental Activities	<u>\$ (696,338)</u>

NOTE 12-General Fund Balance

The General Fund Balance had been designated at March 31, 2005, as follows:

	<u>Designated</u>
Designated by Village Council for Equipment Purchases	<u>\$ 19,800</u>

NOTE 13-Proprietary Fund Restatements

The comparative financial statements for the year ended March 31, 2004, for the Water and Sewer Funds have been restated to reflect GASB Statements 33 and 34 adjustments.

NOTE 14-Notes Receivable-DDA Fund

The Mayville DDA Board approved a loan in the amount of \$16,913 to a Mayville business owner for structural renovations to a storefront located within the boundaries of the DDA district. The agreement call for 59 monthly payments of \$129 and one final balloon payment of \$12,614 based on an annual interest rate of 4.5 percent.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF MAYVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Revenue and Expenditures Actual
Revenues			
Taxes	\$ 152,516	\$ 148,877	\$ 147,122
Licenses and permits	425	425	325
Grants	3,980	4,480	3,980
Intergovernmental	146,776	152,356	152,519
Charges for services	115,713	118,713	124,070
Fines and forfeits	4,000	3,000	3,799
Interest	400	400	418
Other revenues	12,300	11,800	7,334
Total Revenues	436,110	440,051	439,567
Expenditures			
General government	225,468	183,343	180,750
Public Safety	169,296	182,966	186,690
Highways and streets	19,500	19,500	15,931
Sanitation	43,713	43,713	43,404
Capital outlay	15,641	28,129	27,658
Debt service	-	-	15,732
Total Expenditures	473,618	457,651	470,165
Excess (Deficiency) of Revenues over Expenditures	(37,508)	(17,600)	(30,598)
Other Financing Sources (Uses)			
Gain on sale of assets	-	2,150	2,150
Proceeds from equipment lease	-	-	26,242
Operating Transfers In (Out)	40,000	-	-
Total Other Financing Sources (Uses)	40,000	2,150	28,392
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	2,492	(15,450)	(2,206)
Fund Balances, Beginning	91,851	91,851	91,851
Fund Balances, Ending	\$ 94,343	\$ 76,401	\$ 89,645

See independent auditor's report.

VILLAGE OF MAYVILLE
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Revenues and Expenditures Actual
Revenues			
Taxes	\$ 15,940	\$ 15,555	\$ 15,555
Intergovernmental	68,669	69,217	71,285
Other revenues	-	-	36
Total Revenues	84,609	84,772	86,876
Expenditures			
Highways and streets	45,219	52,488	54,772
Total Expenditures	45,219	52,488	54,772
Excess (Deficiency) of Revenues over Expenditures	39,390	32,284	32,104
Other Financing Sources (Uses)			
Operating Transfers In (Out)	(21,440)	(21,055)	(24,081)
Total Other Financing Sources (Uses)	(21,440)	(21,055)	(24,081)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	17,950	11,229	8,023
Fund Balances, Beginning	243	243	243
Fund Balances, Ending	\$ 18,193	\$ 11,472	\$ 8,266

See independent auditor's report.

VILLAGE OF MAYVILLE
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

The Debt Service Fund was determined to be a major fund within the governmental activities of the Village. As required by GASB Statement 34, governments should report budgetary comparison schedules for each major governmental fund that is required by law to adopt a budget. The Village of Mayville was not legally required to adopt a budget for the Debt Service Fund, thus eliminating the requirement to present budgetary comparison information.

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF MAYVILLE
GENERAL FUND

Village of Mayville
General Fund
Comparative Balance Sheets
March 31, 2005 and 2004

<u>Assets</u>	2005	2004
Cash and investments	\$ 39,286	\$ 17,011
Accounts receivable	3,248	2,252
Due from other governmental units	22,696	21,617
Due from other funds	22,831	42,394
Prepaid expenses	22,368	20,737
Total Assets	<u>\$ 110,429</u>	<u>\$ 104,011</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 7,807	\$ 10,719
Accrued expenses	552	1,441
Deferred revenue	12,425	-
Total Liabilities	<u>20,784</u>	<u>12,160</u>
Fund Balance		
Designated	19,800	2,625
Undesignated	69,845	89,226
Total Fund Balance	<u>89,645</u>	<u>91,851</u>
Total Liabilities and Fund Balance	<u>\$ 110,429</u>	<u>\$ 104,011</u>

See independent auditor's report.

Village of Mayville
General Fund
Statement of Revenues
Budget and Actual
For the Year Ended March 31, 2005
(With Comparative Actual Amounts for the Year Ended March 31, 2004)

	2005			2004
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Property taxes	\$ 148,877	\$ 147,122	\$ (1,755)	\$ 144,817
Licenses and permits	425	325	(100)	425
COPS grant	500	-	(500)	1,613
Federal fire grant	3,980	3,980	-	30,146
Intergovernmental Revenues				
State revenue sharing	124,430	125,342	912	125,724
Liquor license	1,651	1,302	(349)	38
Fire protection contracts	26,275	25,875	(400)	25,125
Charges for Services				
Equipment rental	50,000	54,573	4,573	46,882
Garbage collection	43,713	43,433	(280)	42,698
Fire protection	25,000	26,064	1,064	26,707
Traffic Fines	3,000	3,799	799	3,780
Other Revenues				
Interest	400	418	18	441
Refunds	7,000	5,928	(1,072)	7,125
Miscellaneous	4,800	1,406	(3,394)	5,268
Sale of Assets	2,150	2,150	-	-
Proceeds from lease	-	26,242	26,242	30,500
Total Revenues	<u>\$ 442,201</u>	<u>\$ 467,959</u>	<u>\$ 25,758</u>	<u>\$ 491,289</u>

See independent auditor's report.

Village of Mayville
General Fund
Statement of Expenditures
Budget and Actual
For the Year Ended March 31, 2005
(With Comparative Actual Amounts for the Year Ended March 31, 2004)

	2005			2004
	Budget	Actual	Over (Under) Budget	Actual
Expenditures				
Administration				
Salaries and wages	\$ 20,000	\$ 16,222	\$ (3,778)	\$ 19,929
Employee benefits	12,000	11,863	(137)	14,382
Office supplies	3,700	5,079	1,379	3,297
Professional Services	3,905	3,906	1	2,818
Insurance	18,280	21,117	2,837	18,281
Membership dues	1,154	1,154	-	1,129
Elections	75	25	(50)	1,564
Ambulance	2,110	2,110	-	2,110
Social security	2,102	2,144	42	2,102
Miscellaneous	790	1,003	213	565
Total Administration	<u>64,116</u>	<u>64,623</u>	<u>507</u>	<u>66,177</u>
Police Department				
Salaries and wages	66,726	65,551	(1,175)	81,323
Supplies	2,800	1,924	(876)	1,713
Telephone	2,600	1,922	(678)	2,589
Insurance	24,400	22,661	(1,739)	24,377
Maintenance	5,000	4,315	(685)	1,644
Gas and oil	3,000	3,094	94	2,697
Social security	5,100	5,137	37	6,047
Miscellaneous	5,048	2,563	(2,485)	3,357
Total Police Department	<u>114,674</u>	<u>107,167</u>	<u>(7,507)</u>	<u>123,747</u>
Fire Department				
Salaries and wages	39,075	38,923	(152)	30,521
Professional Services	-	-	-	600
Supplies	6,400	17,644	11,244	21,618
Telephone	2,100	2,367	267	2,042
Insurance	7,847	7,412	(435)	6,468
Membership dues	375	375	-	350
Gas and oil	1,400	1,508	108	1,100
Repairs and maintenance	3,100	2,506	(594)	2,386
Utilities	3,600	4,418	818	3,408
Social security	2,733	2,733	-	2,152
Miscellaneous	1,662	1,637	(25)	1,598
Total Fire Department	<u>68,292</u>	<u>79,523</u>	<u>11,231</u>	<u>72,243</u>

See independent auditor's report.

Village of Mayville
General Fund
Statement of Expenditures
Budget and Actual
For the Year Ended March 31, 2005
(With Comparative Actual Amounts for the Year Ended March 31, 2004)

	2005			2004
	Budget	Actual	Over (Under) Budget	Actual
Expenditures				
Highways and Streets-Utilities	\$ 19,500	\$ 15,931	\$ (3,569)	\$ 18,795
Sanitation Contracted Services	43,713	43,404	(309)	42,277
Village Property, Other				
Salaries and wages	98	98	-	3,631
Employee benefits	8,300	6,926	(1,374)	8,238
Insurance	26,000	25,607	(393)	21,794
Maintenance	600	275	(325)	51
Gas and oil	5,600	6,688	1,088	5,096
Maintenance, buildings	9,600	10,006	406	3,204
Maintenance, equipment	25,000	24,938	(62)	21,929
Utilities	4,700	5,184	484	4,658
Parks	9,936	9,982	46	8,899
Operating supplies	10,600	9,853	(747)	11,470
Telephone	2,600	2,649	49	2,600
Sidewalk repair	462	462	-	5,095
Storm sewer	6,111	6,111	-	3,531
Miscellaneous	9,620	7,348	(2,272)	9,582
Total Village Property, Other	119,227	116,127	(3,100)	109,778
Capital Outlay				
Police	8,508	27,658	19,150	3,966
Fire department	10,980	-	(10,980)	21,560
Village property, other	8,641	-	(8,641)	36,615
Total Capital Outlay	28,129	27,658	(471)	62,141
Debt Service				
Principal retirement	-	14,146	14,146	-
Interest payments	-	1,586	1,586	-
Total Debt Service	-	15,732	15,732	-
Total Expenditures	457,651	470,165	12,514	495,158
Excess (Deficiency) of Revenue over Expenditures	(15,450)	(2,206)	13,244	(3,869)
Fund Balance, Beginning	91,851	91,851	-	95,720
Fund Balance, Ending	\$ 76,401	\$ 89,645	\$ 13,244	\$ 91,851

See independent auditor's report.

VILLAGE OF MAYVILLE
SPECIAL REVENUE FUNDS

Major Street Fund

Local Street Fund

DDA

Village of Mayville
Major Street Fund
Comparative Balance Sheets
March 31, 2005 and 2004

<u>Assets</u>	2005	2004
Cash	\$ 16,931	\$ 4,479
Due from other governmental units	10,387	11,204
Prepaid expense	1,136	1,052
Due from other funds	-	4,880
Total Assets	<u>\$ 28,454</u>	<u>\$ 21,615</u>
 <u>Liabilities and Fund Balance</u>		
Accounts payable	\$ 667	\$ 166
Due to other funds	5,246	21,206
Deferred revenue	14,275	-
Fund balance	<u>8,266</u>	<u>243</u>
Total Liabilities and Fund Balance	<u>\$ 28,454</u>	<u>\$ 21,615</u>

See independent auditor's report.

Village of Mayville
Major Street Fund
Statement of Revenue, Expenditures and
Changes in Fund Balance
Budget and Actual
For the Year Ended March 31, 2005
(With Comparative Actual Amounts for the Year Ended March 31, 2004)

	2005			2004
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Taxes	\$ 15,555	\$ 15,555	\$ -	\$ 15,189
Intergovernmental				
State fuel tax	56,000	58,068	2,068	57,408
County road improvement	13,217	13,217	-	12,669
Miscellaneous	-	36	36	-
Total Revenue	<u>84,772</u>	<u>86,876</u>	<u>2,104</u>	<u>85,266</u>
Expenditures				
Routine maintenance				
Salaries & wages	9,500	9,213	(287)	8,520
Materials & supplies	7,000	8,104	1,104	3,896
Equipment rental	11,500	10,647	(853)	11,140
Insurance	2,732	1,596	(1,136)	1,478
Traffic signs	387	387	-	194
Snow and ice removal				
Salaries & wages	4,200	5,640	1,440	4,193
Materials & supplies	4,000	4,059	59	3,249
Equipment rental	12,000	13,761	1,761	9,277
Administration				
Salaries & wages	600	600	-	600
Supplies	-	-	-	689
Equipment rental	-	196	196	263
Contracted services	569	569	-	540
Total Expenditures	<u>52,488</u>	<u>54,772</u>	<u>2,284</u>	<u>44,039</u>
Excess (Deficiency) of Revenues Over Expenditures	32,284	32,104	(180)	41,227
Other Financing Sources (Uses)				
Operating transfers out	<u>(21,055)</u>	<u>(24,081)</u>	<u>(3,026)</u>	<u>(25,354)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	11,229	8,023	(3,206)	15,873
Fund Balance, Beginning	243	243	-	(15,630)
Fund Balance, Ending	<u>\$ 11,472</u>	<u>\$ 8,266</u>	<u>\$ (3,206)</u>	<u>\$ 243</u>

See independent auditor's report.

Village of Mayville
Local Street Fund
Comparative Balance Sheets
March 31, 2005 and 2004

<u>Assets</u>	<u>2005</u>	<u>2004</u>
Cash	\$ 9,015	\$ 2,521
Due from other governmental units	4,416	4,756
Prepaid expense	829	772
Total Assets	<u>\$ 14,260</u>	<u>\$ 8,049</u>
 <u>Liabilities and Fund Balance</u>		
Accounts payable	\$ 667	\$ 430
Due to other funds	2,763	7,275
Deferred revenue	7,120	-
Fund balance	<u>3,710</u>	<u>344</u>
Total Liabilities and Fund Balance	<u>\$ 14,260</u>	<u>\$ 8,049</u>

See independent auditor's report.

Village of Mayville
Local Street Fund
Statement of Revenue, Expenditures and
Changes in Fund Balance
Budget and Actual
For the Year Ended March 31, 2005
(With Comparative Actual Amounts for the Year Ended March 31, 2004)

	2005			2004
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Taxes	\$ 15,555	\$ 15,555	\$ -	\$ 15,189
Intergovernmental				
State fuel tax	24,000	24,674	674	24,194
County bridge tax	6,577	6,559	(18)	6,312
Miscellaneous	-	7	7	-
Total Revenue	<u>46,132</u>	<u>46,795</u>	<u>663</u>	<u>45,695</u>
Expenditures				
Routine maintenance				
Salaries & wages	7,285	6,816	(469)	7,278
Materials & supplies	4,000	4,497	497	11,123
Equipment rental	9,500	9,682	182	9,522
Insurance	2,116	1,287	(829)	1,481
Traffic Signs	477	477	-	242
Snow and ice removal				
Salaries & wages	2,500	2,575	75	2,460
Materials & supplies	4,000	4,059	59	4,034
Equipment rental	4,600	5,831	1,231	4,604
Administration				
Salaries & wages	600	600	-	615
Materials & supplies	-	-	-	14
Equipment rental	7	7	-	-
Contracted services	569	569	-	540
Total Expenditures	<u>35,654</u>	<u>36,400</u>	<u>746</u>	<u>41,913</u>
Excess (Deficiency)				
of Revenues Over Expenditures	10,478	10,395	(83)	3,782
Other Financing Sources (Uses)				
Operating transfer in	5,500	8,526	3,026	10,165
Operating transfers (out)	<u>(15,555)</u>	<u>(15,555)</u>	<u>-</u>	<u>(15,189)</u>
Excess (Deficiency) of Revenues				
Over Expenditures and Other				
Financing Sources (Uses)	423	3,366	2,943	(1,242)
Fund Balance, Beginning	344	344	-	1,586
Fund Balance, Ending	<u>\$ 767</u>	<u>\$ 3,710</u>	<u>\$ 2,943</u>	<u>\$ 344</u>

See independent auditor's report.

Village of Mayville
DDA
Comparative Balance Sheets
March 31, 2005 and 2004

	<u>Assets</u>	<u>2005</u>	<u>2004</u>
Cash and investments		\$ 62,377	\$ 59,015
Notes receivable		18,610	-
Total Assets		<u>\$ 80,987</u>	<u>\$ 59,015</u>
	<u>Fund Balance</u>		
Fund balance		\$ 80,987	\$ 59,015
Total Fund Balance		<u>\$ 80,987</u>	<u>\$ 59,015</u>

See independent auditor's report.

Village of Mayville
DDA Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended March 31, 2005
(With Comparative Actual Amounts for the Year Ended March 31, 2004)

	2005			2004
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Taxes	\$ 23,041	\$ 22,470	\$ (571)	\$ 18,630
Fundraising	190	187	(3)	190
Interest	920	972	52	396
Donations	100	-	(100)	100
Total Revenue	<u>24,251</u>	<u>23,629</u>	<u>(622)</u>	<u>19,316</u>
Expenditures				
Miscellaneous	967	757	(210)	610
Engineering	900	900	-	1,800
Total Expenditures	<u>1,867</u>	<u>1,657</u>	<u>(210)</u>	<u>2,410</u>
Excess (Deficiency) of Revenues Over Expenditures	22,384	21,972	(412)	16,906
Fund Balance, Beginning	59,015	59,015	-	42,109
Fund Balance, Ending	<u>\$ 81,399</u>	<u>\$ 80,987</u>	<u>\$ (412)</u>	<u>\$ 59,015</u>

See independent auditor's report.

VILLAGE OF MAYVILLE
DEBT SERVICE FUNDS

Storm Sewer

Village of Mayville
Debt Service Fund
Comparative Balance Sheets
March 31, 2005 and 2004

	<u>Assets</u>	<u>2005</u>	<u>2004</u>
Cash		\$ 92,376	\$ 86,559
Due from other funds		13,677	13,677
Total Assets		<u>\$ 106,053</u>	<u>\$ 100,236</u>
 <u>Liabilities and Fund Balance</u>			
Due to other funds		\$ -	\$ 2,290
Fund Balance		106,053	97,946
Total Liabilities and Fund Balance		<u>\$ 106,053</u>	<u>\$ 100,236</u>

See independent auditor's report.

Village of Mayville
Debt Service Fund
Statements of Revenue, Expenditures, and Changes in Fund Balance
March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenue		
User fees	\$ 54,708	\$ 54,707
Interest	839	641
Total Revenue	<u>55,547</u>	<u>55,348</u>
Expenditures		
Debt Service		
Principal retirement	16,000	15,000
Interest and fiscal charges	62,550	63,326
Total Expenditures	<u>78,550</u>	<u>78,326</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(23,003)</u>	<u>(22,978)</u>
Other Financing Sources (Uses)		
Operating transfers in	<u>31,110</u>	<u>30,378</u>
Total Other Financing Sources (Uses)	<u>31,110</u>	<u>30,378</u>
Excess (Deficiency) of Revenue Over Expenditures and Other Financing Sources	<u>8,107</u>	<u>7,400</u>
Fund Balances, Beginning	97,946	90,546
Fund Balances, Ending	<u>\$ 106,053</u>	<u>\$ 97,946</u>

See independent auditor's report.

VILLAGE OF MAYVILLE
ENTERPRISE FUNDS

Sewer Fund

Water Fund

Village of Mayville
Enterprise Funds
Combining Statements of Net Assets
March 31, 2005
(With Comparative Totals at March 31, 2004)

	Sewer	Water	2005	2004
<u>Assets</u>				
Cash	\$ 107,061	\$ 48,658	\$ 155,719	\$ 73,474
Accounts receivable	81,022	-	81,022	80,185
Due from other funds	-	34,938	34,938	29,408
Prepaid expense	3,117	2,562	5,679	5,266
Restricted assets				
Investment	-	50,000	50,000	50,000
Fixed assets,				
net of accumulated depreciation	593,444	944,790	1,538,234	1,599,270
Total Assets	<u>\$ 784,644</u>	<u>\$ 1,080,948</u>	<u>\$ 1,865,592</u>	<u>\$ 1,837,603</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ 2,305	\$ 4,889	\$ 7,194	\$ 2,764
Due to other funds	61,125	2,312	63,437	59,588
Current portion of noncurrent liabilities	-	25,000	25,000	25,000
Total Current Liabilities	<u>63,430</u>	<u>32,201</u>	<u>95,631</u>	<u>87,352</u>
Noncurrent Liabilities				
Revenue bonds payable				
(net of current portion)	-	540,000	540,000	565,000
Total Liabilities	<u>63,430</u>	<u>572,201</u>	<u>635,631</u>	<u>652,352</u>
Net Assets				
Investment in capital assets-				
net of related debt	593,444	379,790	973,234	1,009,270
Restricted	359,332	254,713	614,045	638,582
Unrestricted	(231,562)	(125,756)	(357,318)	(462,601)
Total Net Assets	<u>721,214</u>	<u>508,747</u>	<u>1,229,961</u>	<u>1,185,251</u>
Total Liabilities				
and Net Assets	<u>\$ 784,644</u>	<u>\$ 1,080,948</u>	<u>\$ 1,865,592</u>	<u>\$ 1,837,603</u>

See independent auditor's report.

Village of Mayville
Enterprise Funds
Combining Statements of Revenues and Expenses
For the Year Ended March 31, 2005
(With Comparative Totals for the Year Ended March 31, 2004)

	Sewer	Water	Totals	
			2005	2004
Operating Revenues				
Charges for services	\$ 76,602	\$ 160,408	\$ 237,010	\$ 243,176
Total Operating Revenues	<u>76,602</u>	<u>160,408</u>	<u>237,010</u>	<u>243,176</u>
Operating Expenses				
Personal services	16,671	19,435	36,106	46,443
Contractual services	12,071	10,614	22,685	18,157
Supplies	16,179	9,361	25,540	42,606
Utilities	1,747	8,689	10,436	9,219
Depreciation	30,545	33,491	64,036	63,972
Insurance	3,493	3,009	6,502	5,534
Licenses	800	-	800	-
Miscellaneous	2,667	4,813	7,480	29,587
Total Operating Expenses	<u>84,173</u>	<u>89,412</u>	<u>173,585</u>	<u>215,518</u>
Operating Income (Loss)	<u>(7,571)</u>	<u>70,996</u>	<u>63,425</u>	<u>27,658</u>
Non-operating Revenues (Expenses)				
Interest revenue	9,050	1,110	10,160	7,105
Interest and fiscal charges	<u>-</u>	<u>(28,875)</u>	<u>(28,875)</u>	<u>(30,125)</u>
Total Non-operating Revenues (Expenses)	<u>9,050</u>	<u>(27,765)</u>	<u>(18,715)</u>	<u>(23,020)</u>
Change in Net Assets	<u>\$ 1,479</u>	<u>\$ 43,231</u>	<u>\$ 44,710</u>	<u>\$ 4,638</u>

See independent auditor's report.

Village of Mayville
Enterprise Funds
Combining Statements of Changes in Net Assets
For the Year Ended March 31, 2005
(With Comparative Totals for the Year Ended March 31, 2004)

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Net Assets, Beginning	\$ 719,735	\$ 465,516	\$ 1,185,251
Increase (decrease) in Net Assets	<u>1,479</u>	<u>43,231</u>	<u>44,710</u>
Net Assets, Ending	<u>\$ 721,214</u>	<u>\$ 508,747</u>	<u>\$ 1,229,961</u>

See independent auditor's report.

Village of Mayville
Enterprise Funds
Combining Statements of Cash Flows
For the Year Ended March 31, 2005
(With Comparative Totals for March 31, 2004)

	Sewer	Water	Totals 2005	2004
Cash Flows From				
Operating Activities				
Increase (decrease) in Net Assets	\$ 1,479	\$ 43,231	\$ 44,710	\$ 4,638
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	30,545	33,491	64,036	63,972
Decrease (increase) in				
Accounts receivable	(837)	-	(837)	1,699
Due from other funds	-	(5,530)	(5,530)	866
Prepaid expense	(226)	(186)	(412)	(1,113)
Increase (decrease) in				
Accounts payable	1,310	3,120	4,430	1,168
Due to other funds	4,683	(835)	3,848	(15,243)
Net Cash Provided by Operating Activities	<u>36,954</u>	<u>73,291</u>	<u>110,245</u>	<u>55,987</u>
Cash Flows From				
Investing Activities				
Purchased fixed assets	-	(3,000)	(3,000)	(16,634)
Net Cash Provided by Investing Activities	<u>-</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>(16,634)</u>
Cash Flows From				
Financing Activities				
Payment of bonds payable	-	(25,000)	(25,000)	(25,000)
Net Cash Provided by Financing Activities	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>
Net Increase (Decrease) in Cash	36,954	45,291	82,245	14,353
Cash and Cash Equivalents, Beginning	<u>70,107</u>	<u>3,367</u>	<u>73,474</u>	<u>59,121</u>
Cash and Cash Equivalents, Ending	<u>\$ 107,061</u>	<u>\$ 48,658</u>	<u>\$ 155,719</u>	<u>\$ 73,474</u>

See independent auditor's report.

Village of Mayville
Schedule of Indebtedness
March 31, 2005

Business-type Activities
General Obligation Bonds

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Annual Principal October 1</u>	<u>Semiannual Interest Payment October 1</u>	<u>April 1</u>	<u>Total Fiscal Year Requirement</u>
1981 Water Supply System Revenue Bonds	4/1/1981	830,000	5.00				
2005-06				\$ 25,000	14,125	13,500	\$ 52,625
2006-07				25,000	13,500	12,875	51,375
2007-08				30,000	12,875	12,125	55,000
2008-09				30,000	12,125	11,375	53,500
2009-10				30,000	11,375	10,625	52,000
2010-11				30,000	10,625	9,875	50,500
2011-12				30,000	9,875	9,125	49,000
2012-13				35,000	9,125	8,250	52,375
2013-14				35,000	8,250	7,375	50,625
2014-15				35,000	7,375	6,500	48,875
2015-16				40,000	6,500	5,500	52,000
2016-17				40,000	5,500	4,500	50,000
2017-18				40,000	4,500	3,500	48,000
2018-19				45,000	3,500	2,375	50,875
2019-20				45,000	2,375	1,250	48,625
2020-21				50,000	1,250	-	51,250
				<u>\$ 565,000</u>	<u>\$ 132,875</u>	<u>\$ 118,750</u>	<u>\$ 816,625</u>

See independent auditor's report.



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

May 11, 2005

Members of the Village Council
Village of Mayville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Mayville, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Village of Mayville, Michigan's basic financial statements and have issued our report thereon dated May 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Mayville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Members of the Village Council
May 11, 2005
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Mayville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Village Council and is not intended and should not be used by anyone other than these specified parties.

Sardner, Provenzano, Schauman & Thomas P.C.

Certified Public Accountants



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

May 11, 2005

Members of the Village Council
Mayville, Michigan

In planning and performing our audit of the financial statements of Village of Mayville for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

During the course of our audit, we became aware of two matters that are opportunities for strengthening internal controls and operating efficiency. They are as follows:

Segregation of Duties

For the year ended March 31, 2005, we reviewed internal controls over financial reporting and deemed controls appropriate. Despite the limited size of the Village's personnel, we believe the current system of segregation of responsibilities is acceptable.

We encourage the Council to maintain an appropriate segregation of responsibilities within the accounting function and to maintain fiscal oversight over financial matters.

DDA Loan

In April 2004, the DDA Board approved a loan to a local business owner for structural renovations to a storefront located within the DDA district. We could not find any DDA documentation or legislation to support the DDA's ability to loan money collected from special assessed property taxes to local businesspersons. However, after discussion with the Michigan Department of Treasury, we do believe there is room for interpretation within Public Act 197 that may support the ability of the DDA to loan money to business owners within the DDA for activities outlined in the DDA's Tax Increment Financing Plan.

Members of the Village Council
May 11, 2005
Page Two

We recommend that the Village consult with its attorney regarding the legality of loaning property tax money to individuals for improvements within the district.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with the Village Clerk and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Gardner, Provencio, Schauman & Thomas P.C.

Certified Public Accountants